

Advanced Actuarial Practice (A-4) 2012 Syllabus

Course Overview

As the culminating designation for the actuary ASPPA/ACOPA member, the Fellow, Society of Pension Actuaries (FSPA) credential is intended as an opportunity for a successful candidate to demonstrate a level of knowledge and understanding of the private pension system. This knowledge is above and beyond what is tested on the Enrolled Actuary (EA) examinations.

To earn the FSPA credential, candidates build upon a foundation of knowledge acquired by:

- Holding an Enrolled Actuary designation;
- Holding the [CPC designation](#), or passing the [CPC proctored examination](#) and [CPC modules](#); and,
- Passing both the A-4 essay examination and an oral presentation.

Finally, because ASPPA members are required to comply with ASPPA's Code of Professional Conduct, the topic of ethical performance in one's professional capacity forms an important part of the A-4 course of study and ethics questions will be a part of the examinations.

Required Reading

A-4 compendium of readings: Advanced Actuarial Practice, 2nd Edition. Arlington, VA: ASPPA, 2010.

Suggested Reading

Bittker, Boris, and Lawrence Lokken. *Federal Taxation of Income, Estates and Gifts, 2nd edition*, Section 60.2: Nonqualified Deferred Compensation Arrangements. New York: Warren, Gorham and Lamont, 1993.

- Cairns, Andrew J.G. *An introduction to stochastic pension plan modeling*. Riccarton, UK: Heriot-Watt University, Department of Actuarial Mathematics and Statistics, 1994.
- Cook, Lynn, and Carl Goldfield. *Employees plans – Deductions, contributions and funding (Portfolio 371)*. Arlington, VA: Bureau of National Affairs, 2009.
- Financial Accounting Standards Board (FASB). FSP FAS 132(R)-1: Employers' Disclosures about Postretirement Benefit Plan Assets. Norwalk, CT: FASB, 2008.
- . Statement of Financial Accounting Standards No. 87: Employers' Accounting for Pensions. Norwalk, CT: FASB, 2008.
- . Statement of Financial Accounting Standards No. 88: Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits. Norwalk, CT: FASB, 2008.
- . Statement of Financial Accounting Standards No.130: Reporting Comprehensive Income. Norwalk, CT: FASB, 2008.
- . Statement of Financial Accounting Standards No.132: Employers' Disclosure about Pensions and Other Postretirement Benefits. Norwalk, CT: FASB, 1998.
- . Statement of Financial Accounting Standards No. 157: Fair Value Measurements. Norwalk, CT: FASB, 2008.
- . Statement of Financial Accounting Standards No. 158: Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. Norwalk, CT: FASB, 2008.
- Fried, Abraham N. *The economic consequences of SFAS No. 158*. South Orange, NJ: Seton Hall University, Stillman School of Business, 2010.
- Gucciardi, Joan. *Plan termination answer book, 4th edition* (with 2010 supplement). Frederick, MD: Aspen Publishers, 2010.
- Kleinstuber, Ellen, and John Miller. *PPA forecasting and funding strategies*. Chicago: AON Consulting, 2008.
- McGhie, G.Neff. *Defined benefit answer book, 4th edition* (with 2010 supplement). Frederick, MD: Aspen Publishers, 2010.
- MetLife. *Study of Employee Benefit Trends: Findings from the national survey of employers and employees*. New York: Metropolitan Life Insurance Co., 2009.
- Streng, William, and Mickey Davis. *Retirement Planning: Tax and Financial Strategies, 2nd edition*, Section 3.02: Nonqualified Deferred Compensation. New York: Warren, Gorham and Lamont, 2008.
- Tripodi, Sal. *The ERISA outline book*. Arlington, VA: ASPPA, 2010.
- Watson, S. Derrin. *Who's the employer*. Goleta, CA: S. Derrin Watson, 2008.
- Yamamoto, Dale. *Fundamentals of retiree core benefits*. Winsted, CT: Actex Publications, 2009.

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Exam

There is a written examination, as well as an oral presentation that relates to the written examination.

The written examination is a four hour examination, consisting of eight questions from two sections (A topics and B topics). Candidates must answer all five questions from A topics and three of the four questions from B topics. Note that there are seven B topics in this syllabus but only four B topics will be tested on the exam. The candidate will only be required to answer three of the four B topic questions on the exam.

Because successfully communicating with clients is a critical part of an actuary's work, the A-4 course includes an oral presentation requirement. The oral presentation relates to one of the questions from the written examination. The candidate will be asked to identify three questions (from A or B topics) that they are willing to have used as the basis for their oral presentation. A panel will decide which one of the three candidate selected questions will be asked on the oral exam.

Within a month of the written examination, contact will be made with the candidate to schedule an hour for the oral presentation via a conference call (travel is not required). Two weeks before the scheduled presentation the candidate will be sent a copy of the question and his/her written answer. The time allowed for the oral presentation is 60 minutes.

In order to pass the A-4 exam, the candidate must obtain a passing score on the written exam, and must receive a pass on the oral presentation. If a candidate receives a "pass" on the oral presentation but receives a "fail" on the written exam, the "pass" on the oral presentation will stand to give the candidate an opportunity to pass the written exam within the next 12 months.

Additional Information

All candidates are encouraged to visit ASPPA's Candidate Corner (www.asppa.org/candidate-corner) for additional information. It is the candidate's responsibility to check the ASPPA Web site for the most current information on examinations and publications. The Candidate Corner includes exam windows and dates, study tips, current information on regulatory limits and other helpful information. You may also contact ASPPA with questions at education@asppa.org.

A Topics

Overview

A Topics are: actuarial cost methods, Form 5500 Schedule SB completion, actuarial standards of practice (ASOPs), the Code of Professional Conduct, plan qualification requirements, plan design, financial accounting standard (FAS) requirements, actuarial report completion, plan termination issues, fiduciary liability, distributions, and controlled group/affiliated service groups. These topics examine subjects from which all consulting pension actuaries should have a deep understanding.

The successful candidate will illustrate a mastery of the A topics above as well as be able to:

- 1.01 Design an advisable contribution pattern based on given circumstances that falls within the statutory range of contribution limits.
- 1.02 Evaluate the applicability of various actuarial cost methods.
- 1.03 Summarize the mechanics/requirements of Form 5500 Schedule SB including elections, AFTAPs, and credit balance burns.
- 1.04 Discuss the various rules and implications regarding discounting and timing of the communications required regarding Schedule SB elections and burns
- 1.05 Discuss the Code of Professional Conduct, Professionalism, and ASOPs 4, 27, 35, 41, and 44.
- 1.06 Evaluate the qualification requirements as applied to defined benefit plans under IRC §§ 401(a)(4), 401(a)(26), 404, 410(b), 411, 414, 415, 416, 417(e), 430 and 436.
- 1.07 Explain various safe harbor and general tested plan designs, including floor offsets, defined benefit/defined contribution combos and hybrid plans.
- 1.08 Discuss testing, combined plan issues, deduction rules, IRC §§415 and 416, and reasonable estimates of costs as they relate to overall plan design considerations.
- 1.09 Analyze hybrid plan designs, specifically conversions, testing, IRC §§415 and 416, funding issues and FAS issues.
- 1.10 Explain the FAS requirements as they apply to defined benefit plans, including who is responsible and how an actuary coordinates with the client and the auditor.

- 1.11 Discuss issues with FAS 87, 88, 132 and 158 as they apply to defined benefit plans.
- 1.12 Evaluate and make recommendations based on facts presented in a sample FAS report.
- 1.13 Explain the steps to complete an actuarial report. Review and comment on a sample report (considering communication issues related to ASOP 41).
- 1.14 Analyze and comment on a sample Form 5500 Schedule SB.
- 1.15 Compare and contrast a standard termination to a distress termination.
- 1.16 Identify funding and deduction issues applicable in a plan year of plan termination and plan years subsequent to plan termination.
- 1.17 Explain missing participant calculations
- 1.18 Summarize IRC §415, calculation of benefits and timing issues in a plan termination.
- 1.19 Identify the fiduciary liability when selecting annuities for employers and other investment considerations.
- 1.20 Explain how the timing of AFTAPs for actuaries relates to possible fiduciary liability.
- 1.21 Discuss what makes someone a fiduciary, including examples of fiduciary actions.
- 1.22 Summarize and apply the RMD rules as they apply to defined benefit plans.
- 1.23 Evaluate relative value disclosures for different optional forms of distribution.
- 1.24 Explain the rules applicable to retroactive annuity starting dates.
- 1.25 Discuss QDROs as applicable to distributions from defined benefit plans.
- 1.26 Explain rules regarding QJSA/QPSA
- 1.27 Discuss the application of benefit restrictions under IRC §436
- 1.28 Discuss the impact of controlled groups and affiliated service groups on IRC §401(a)(4) testing (including BRF issues) and contribution deductions.
- 1.29 Explain the plan document issues related to controlled groups and affiliated service groups
- 1.30 Discuss the Exclusive benefit rule differences between controlled groups and affiliated service groups
- 1.31 Discuss the impact of QSLOBs on controlled groups and affiliated service groups issues

Exam Weighting

These topics will comprise approximately 62.5 percent of the examination. A candidate will receive five questions from Topic A and each question will be worth 12.5% of the exam grade.

B Topics

Overview

B Topics are large plan designs, valuation of post-retirement medical benefits, forecasting, expert witness services, nonqualified plans, multiple employer plans and defined benefit plan investments. B Topics examine subjects for which consulting pension actuaries may be expected to have knowledge and a deep understanding.

Note that there are seven B topics below but only four B topics will be tested on the exam. The candidate will only be required to answer three of the four B topic questions on the exam.

The successful candidate will be able to:

B – 1 Discuss large plan design as it relates to:

- 1) Integration with other benefits,
- 2) Early retirement issues,
- 3) FAS Issues, and
- 4) Multiple Employer Issues

B – 2 Explain the valuation of post-retirement medical benefits for the purpose of FAS 106 or GASB 45

B – 3 Discuss and perform Pension Forecasting

B – 4 Discuss expert witness services as they relate to ASOP 17 and QDROs

B – 5 Discuss deduction, testing, and funding issues as they relate to multiple employer plans (including PEOs).

B – 6 Discuss the following defined benefit plan investment related issues:

- 1) Immunization
- 2) Financial economics impact on DBs
- 3) Impact of investment policies
- 4) Fiduciary issues
- 5) Approaches for selecting investment return assumptions – ASOP 27

B – 7 Discuss the coordination with qualified benefits and the actuarial aspects of non-qualified plans to FAS, Funding issues, and IRC §436 restrictions

Exam Weighting

These topics will comprise approximately 37.5 percent of the examination. A candidate will chose to answer three of the four questions offered from Topic B and each question will be worth 12.5% of the exam grade.